



HARFORD COUNTY, MARYLAND

Office of the County Auditor

February 21, 2014

Ms. Melissa Lambert, Council Attorney
Harford County Council
212 S. Bond St., 2nd Floor
Bel Air, MD 21014

Dear Ms. Lambert:

As you are aware, cable television providers must be authorized by the Harford County Council to provide service within Harford County. Currently, Harford County has franchise agreements with Comcast, Verizon and Armstrong Cable. These franchise agreements are renewed periodically. Comcast's agreement was recently, temporarily extended until a long term contract can be negotiated. At your request, as a measure of due diligence, we have performed a review of the Cable Franchise Fees paid by Comcast to Harford County for 2011, 2012 and 2013. The results of that review are detailed below.

Within its systems, Comcast associates all addresses with a "corp" code to determine which jurisdiction should receive the related franchise fee. Comcast provided us a list of all serviceable addresses (Homes Passed) with Harford's corp code and a list of non-serviceable addresses within the same area. To protect their proprietary information, Comcast did not advise which of the addresses were customers and which were not.

We noted that Comcast's address list was not well aligned with the tax records. As a result, reviewing the data required significant effort to research more than 20,000 items that could not be tested in an automated fashion. Most often, we noted that the Street Name field only holds 15 characters, which requires some street names to be truncated or abbreviated in Comcast's files. Comcast may be able to improve its jurisdiction mapping by using the addresses in the property tax records.

We used the County's tax records to identify properties that should be included in Comcast's payment to the County. We eliminated from the County-wide tax file properties that were within municipalities, unimproved, had no utilities (water, sewer, well and septic), or had duplicate street addresses. We additionally eliminated from our list properties that we assumed or confirmed with Comcast were outside of the service area. We added, to the list, addresses within mobile home communities, which are not included in the tax files.

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Most addresses were properly included in Comcast's franchise fee payment calculation. However, we found 3,669 tax record addresses that are located within Harford County, but are not in Comcast's Homes Passed or Non-Serviceable lists. We additionally noted that there are 2,087 addresses in the Homes Passed list that are outside of Harford County. This is a net of 1,582 accounts that have not been included in the Comcast's franchise fee payment to Harford County.

We calculated the potential impact of these differences and estimate that Comcast may have underpaid Harford County by approximately \$70,034.27 for 2011, 2012, and 2013.

I am available to respond to any questions you have regarding this summary.

Sincerely,



Chrystal Brooks, CPA, CGFM, CIA, CISA, CGAP, CRMA
County Auditor

cc: Mr. Matthew Shifermiller, Manager of Government Affairs, Comcast
Ms. Pamela Meister, Council Administrator

Auditor Note: This report was updated from its October 15, 2013 version to include additional information provided by Comcast. The response provided by Comcast follows this letter.



February 26, 2014

Chrystal Brooks
Office of the County Auditor
Harford County
212 South Bond Street, Room 219
Bel Air, Maryland 21014

RE: Franchise Fee Audit

Dear Ms. Brooks:

Comcast is in receipt of the Harford County Auditor's February 21, 2104 report related to Comcast's franchise fee payments for 2011, 2012, and 2013. We are currently reviewing the County's findings. Comcast looks forward to working with Harford County to resolve this matter to the mutual satisfaction of the County and Company as quickly as possible.

Comcast values its relationship with Harford County as we work together to provide quality cable service in the County.

If you have any questions or concerns, please don't hesitate to reach out to me.

Regards,

Matt Shiffermiller
Senior Manager, Government Affairs